



# ENERGY SITUATION ANALYSIS REPORT



May 16, 2002

(next scheduled update: May 17, 2002)

Energy Information Administration  
US Department of Energy  
Washington, DC 20585  
(202) 586-8800

Petroleum   Natural Gas   Coal   Electricity

## Latest Energy Market Developments

(updated May 16, 2002)

Despite a decline of \$1.21 per barrel (to \$28.15 per barrel) on Wednesday, May 15, near-month WTI crude oil prices on the NYMEX continue to hover near 8-month highs. Oil prices are being supported by several months of OPEC and non-OPEC oil production cutbacks since January 1, 2002, plus the one-month Iraqi unilateral embargo from April 8-May 8, 2002. This has led to reductions in oil inventories and import levels. As of May 10, U.S. commercial crude oil inventories were nearly 10 million barrels below year-earlier levels, and are in the bottom half of the normal range for inventories at this time of year. This week, both the Energy Information Administration and the American Petroleum Institute reported draws in U.S. crude oil stocks. In addition, oil markets remain concerned over the Palestinian-Israeli situation, U.S.-Iraq tensions, and the potential for Middle East instability at some point to result in an oil supply disruption from the region.

Other topics affecting **world oil markets** include:

- Russian Prime Minister Mikhail Kasyanov is scheduled to meet with Russian oil companies on Friday, May 17, to discuss whether Russia should formally abandon its pact with OPEC to limit exports after it expires in June. Despite Russia's January 1 commitment to reduce oil "shipments" by 150,000 barrels per day, Russians customs data released Wednesday (May 15) indicated that Russian crude oil exports *rose* sharply in the first quarter of 2002. The extra crude oil apparently was refined in former Soviet countries like Ukraine and Belarus, then re-exported as gasoline and diesel to the West.
- Iraq stated today that it "will deal with [UN Security Council] Resolution 1409 regarding the renewal of the oil-for-food deal for another six months...according to the memorandum of understanding signed by Iraq and the United Nations." On Tuesday, May 14, the UN Security Council had voted unanimously to revamp the "Oil-for-Food" program. Despite Iraq's official acceptance of the new sanctions regime, Iraq's Information Minister stated that "Iraq deserves complete lifting of the embargo and not imposing new restrictions on an already complicated regime." After May 29, most civilian goods will be allowed to flow freely into Iraq, while items on a 332-page "goods review checklist" will require UN approval.

Other recent developments in **U.S. energy markets** include:

- As of May 16, the [U.S. Strategic Petroleum Reserve](#) (SPR) contained 567.7 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.
- U.S. gasoline prices have been stable in the last several weeks, roughly \$0.30 per gallon below last year's levels.
- Spot natural gas prices at most trading locations in the country retreated on Wednesday, May 15, as crude oil prices dropped and buyers were scarce owing to the lack of weather-driven demand. The Henry Hub cash price eased 13 cents per MMBtu, or about 3%, to an average of \$3.62 per MMBtu during yesterday's trading.
- In the latest week, near-quarter over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages. On average, settled prices since early February 2002 have been relatively level, in the \$25 to \$28 per short ton range with generally low daily volumes.
- Western U.S. wholesale electricity prices have generally been increasing over the past seven days (excluding weekend transactions), while prices in the Northeast have been mixed.

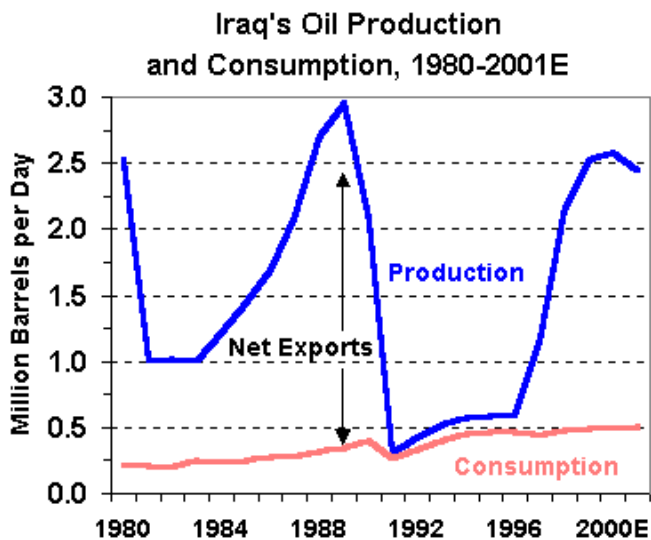
## Special Topic -- Basic Facts on [Iraq](#)

(updated May 14, 2002)

While Iraq's weekly export levels fluctuate, the country remains an important world oil player, with U.N. "Oil-for-Food" exports from January 1, 2002 through April 8, 2002 averaging 1.7 million barrels per day. "Oil-for-Food" exports ceased on April 8, when the country declared a unilateral 30-day crude oil export embargo. Iraq began pumping crude oil to its export terminals on May 8 after lifting a month-long embargo. The first tanker loaded at Mina al-Bakr left on May 11, while the first tanker for loading at Ceyhan arrived May 14.

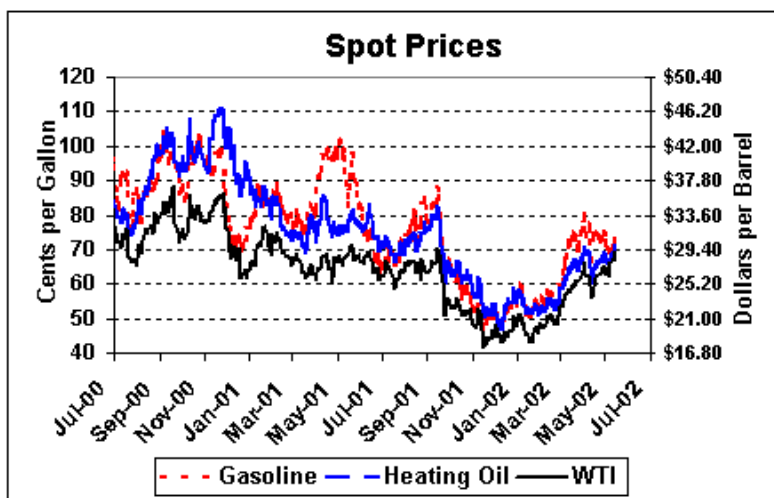
The United States is the largest single market for Iraqi oil, with almost half of Iraqi oil exports bound for the United States in 2001. Imports from Iraq accounted for an average 8% of total U.S. imports in 2001. In 2001, Iraq was the sixth-largest source of U.S. crude oil imports, behind Saudi Arabia, Mexico, Canada, Venezuela, and Nigeria.

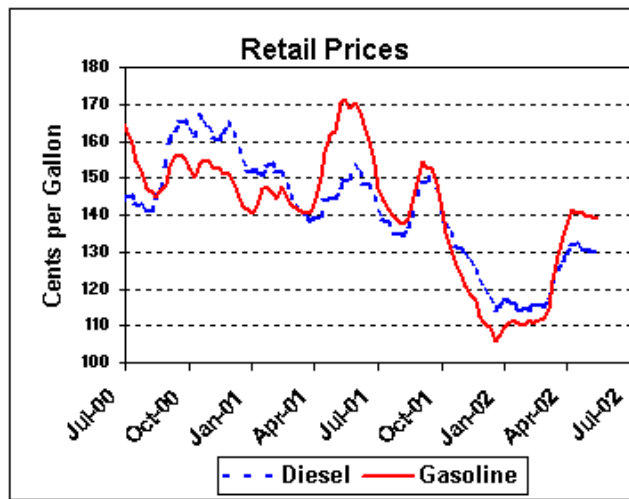
The current phase of the "Oil-for-Food" program expires at the end of May 2002. The UN Security Council approved an overhaul of sanctions against Iraq on May 14. The resolution establishes a "goods review list" for dual-use (i.e., civilian or military) items that require UN Security Council approval before Iraq can purchase them. Items on the list have to be evaluated separately within 30 days. Most goods not on the list can go to Iraq after a 10-day review by UN officials. The Security Council's resolution also renews until November 25 the UN's "Oil-for-Food" program. Temporary downturns in Iraqi exports in association with program rollovers are common.



## U.S. Petroleum Prices

(updated May 16, 2002)





Source: Energy Information Administration (EIA)

### Crude Oil and Oil Products Price Table

Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	US Average	
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway	Gasoline	Diesel
	\$/bbl	\$/bbl	cents per gallon		cents per gallon		c/gal			cents per gallon	
3/28/2002	\$26.21	\$26.31	74.88	82.49	67.05	66.89	67.95	40.63	41.00		
3/29/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA		
4/1/2002	\$26.82	\$26.88	78.25	84.90	68.40	68.69	68.05	42.38	41.88	137.1	129.5
4/2/2002	\$27.75	\$27.71	80.15	86.98	70.65	70.95	72.75	44.82	44.63		
4/3/2002	\$27.55	\$27.56	76.35	84.84	70.40	70.83	72.50	44.38	44.25		
4/4/2002	\$26.64	\$26.58	74.75	82.33	68.40	68.66	70.50	44.01	44.50		
4/5/2002	\$26.21	\$26.21	73.70	81.70	68.15	68.22	70.05	43.00	42.19		
4/8/2002	\$26.16	\$26.54	77.57	84.19	69.57	69.30	71.20	43.82	42.94	141.3	132.3
4/9/2002	\$25.45	\$25.82	75.13	83.39	66.80	67.80	68.50	41.19	40.13		
4/10/2002	\$26.15	\$26.13	76.00	83.44	67.35	67.84	68.98	41.00	40.13		
4/11/2002	\$24.93	\$24.99	72.53	78.87	64.73	64.71	66.50	39.00	37.69		
4/12/2002	\$23.51	\$23.47	66.48	72.96	60.03	60.05	61.93	38.07	36.63		
4/15/2002	\$24.53	\$24.57	73.00	78.63	63.07	63.34	65.09	39.50	38.00	140.4	132.0
4/16/2002	\$24.92	\$24.75	74.73	79.29	64.23	63.78	66.25	39.50	38.00		
4/17/2002	\$25.94	\$25.94	74.70	80.77	65.10	65.40	67.25	40.25	38.75		
4/18/2002	\$25.86	\$26.18	74.57	81.13	65.30	65.58	67.25	41.13	39.13		
4/19/2002	\$26.43	\$26.38	73.95	80.40	65.65	65.91	67.75	40.38	37.88		
4/22/2002	\$26.28	\$26.27	72.82	79.02	65.55	65.81	67.65	41.00	38.50	140.4	130.4
4/23/2002	\$26.28	\$26.62	74.11	80.16	66.40	66.53	69.07	41.69	39.32		
4/24/2002	\$26.28	\$26.38	71.89	78.76	66.10	66.12	68.28	41.13	39.19		
4/25/2002	\$26.36	\$26.73	72.50	79.37	66.70	67.20	69.10	41.50	39.69		
4/26/2002	\$27.12	\$27.11	74.00	81.39	67.60	67.90	70.00	40.69	39.25		
4/29/2002	\$27.45	\$27.57	74.95	83.36	68.95	69.20	71.20	41.57	39.25	139.3	130.2
4/30/2002	\$27.32	\$27.29	74.93	82.30	68.65	68.90	70.90	42.00	39.88		
5/1/2002	\$26.58	\$26.75	72.75	80.48	67.33	67.42	69.65	41.63	39.51		
5/2/2002	\$26.31	\$26.24	71.73	78.49	66.38	66.07	68.48	41.09	38.50		
5/3/2002	\$26.75	\$26.62	70.78	78.77	66.40	66.53	68.28	41.07	38.63		
5/6/2002	\$26.11	\$26.12	69.07	77.45	64.40	64.98	66.00	40.75	38.13	139.5	130.5
5/7/2002	\$26.79	\$26.63	68.94	78.28	65.80	65.86	67.75	41.00	38.63		
5/8/2002	\$27.76	\$27.85	68.78	78.77	66.80	67.40	68.85	42.50	40.38		
5/9/2002	\$27.78	\$27.68	68.79	77.46	67.35	67.79	69.38	41.38	39.25		
5/10/2002	\$27.92	\$27.99	70.33	79.05	68.25	68.92	70.13	41.38	39.25		
5/13/2002	\$28.62	\$28.38	72.03	79.73	69.25	69.45	71.38	41.26	39.07	138.8	129.9
5/14/2002	\$29.17	\$29.36	72.93	82.63	70.90	71.68	73.00	42.75	39.69		
5/15/2002	\$28.17	\$28.15	69.49	78.82	67.67	67.79	69.77	41.82	37.88		

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

### Latest U.S. Weekly EIA Petroleum Information

(updated May 15, 2002)

“30”

The number 30 is on the lips of many oil traders, analysts, and industry executives these days. The price for West Texas Intermediate (WTI) crude oil, the benchmark crude oil for most of the Americas, rose above \$29 per barrel on May 14 for the first time since mid-September 2001, and has risen by more than \$3 per barrel since May 6. If prices continue to rise, as many market participants are beginning to expect may happen, the WTI price will rise above \$30 per barrel for the first time since February 2001. This is a phenomenon that was not unexpected, as we have been highlighting how the crude oil market has been

tightening of late, especially since March. As recently as April 5, U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) were about 18 million barrels above year-ago levels, and even this was a large decline from the 40-million-barrel year-to-year surplus that existed on March 1. However, as of May 10, commercial crude oil inventories are now nearly 10 million barrels below year-earlier levels, and are in the bottom half of the normal range for inventories at this time of year.

With crude oil imports consistently running much lower than last spring, it was predictable that the crude oil surplus we had at the end of winter would melt away this spring. The production cutbacks from OPEC 10 countries (OPEC excluding Iraq) and some non-OPEC producers that went into effect beginning in January were bound to reduce imports. Even with reports that OPEC 10 crude oil production may have increased slightly in recent months, it is still much lower than it was a year ago. As the world's largest importer (and consumer) of petroleum, it was inevitable that lower production from OPEC 10 countries would ultimately lead to lower U.S. crude oil imports. Added into this mix is that Iraq ceased exporting oil under the United Nations program for 30 days beginning on April 8. While sources of crude oil imports on a weekly basis are very preliminary and thus not publishable, it does appear that Iraqi crude oil imports are beginning to have an effect on reducing imports into the United States. With product prices, particularly gasoline, not rising at the same pace crude oil prices have recently, it is likely that refiners may cut back on production, which would help slow the decline in crude oil inventories. And with product inventories much better off relative to crude oil (see the section below on the gasoline inventory situation), refiners could use inventories to supplement decreases in refinery production. However, if demand begins to pick up after Memorial Day, then product inventories may also begin to decline. If this occurs, then we may be looking at a repeat of 1999, when inventories fell over the second half of the year in a dramatic fashion, such that WTI prices rose well above \$30 per barrel in 2000.

### **Gasoline Supply More Than Ample For Now**

One bright spot for consumers in the run-up to the summer driving season is the continued strong buildup of motor gasoline inventories over the past several weeks. Total motor gasoline inventories ended the week of May 10, 2002 at 217.2 million barrels, a level more than 13 million barrels above the same period last year. With inventories at the upper end of the normal range, gasoline prices are not expected to spike as high as the last two years, even if demand picks up over the summer as expected. The combination of strong refinery production and the flood of gasoline imports during the last four weeks in particular, explain the current motor gasoline inventory cushion. Over this period, motor gasoline refinery production was up by nearly 400,000 barrels per day over an average of the same four-week period in 2000 and 2001, while gasoline imports were up nearly 300,000 barrels per day above the average for 2000 and 2001. With this much additional gasoline supply, it is not surprising that gasoline inventories are currently much higher than they were in 2000 and 2001. Nevertheless, this surplus may also evaporate if refiners cut back production and imports fall off to more normal levels, just as demand begins to increase heading into the summer driving season. In this case, renewed gasoline market strength will reinforce crude oil price pressure stemming from ongoing tightening in the crude oil balance.

### **Retail Gasoline Prices See Little Action**

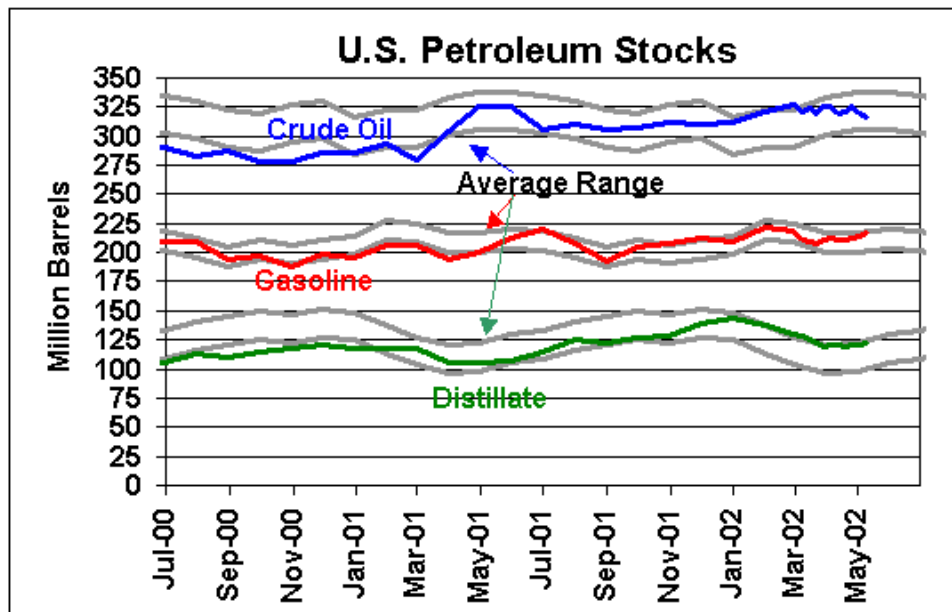
The retail gasoline market was quiet again this week, with the national average retail price for regular motor gasoline edging down 0.7 cent on May 13 to end at 138.8 cents per gallon. This price is 32.5 cents per gallon lower than last year. Prices have remained relatively flat over the past five weeks, with slight up and down changes. Prices were down throughout the country on May 13, with the largest decreases occurring on the West Coast. California retail gasoline prices fell 1.8 cents last week to end at 157.1 cents per gallon. With relatively little movement in spot gasoline prices over the last several weeks, it seems that the retail gasoline price has reached a new equilibrium for the very near-term and any price changes in the retail market can mostly be attributed to white noise. Again, this plateau may prove to be a brief pause, if recent crude oil price increases hold or grow further, or the gasoline balance tightens after Memorial Day.

Retail diesel fuel prices decreased by 0.6 cent per gallon to a national average of 129.9 cents per gallon as of May 13 after rising the previous week.

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## U.S. Petroleum Supply (updated May 15, 2002)

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	5/10/2002	5/10/2001	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	15,332	15,611	-279	-1.8%
Operable Capacity	16,800	16,638	162	1.0%
Operable Capacity Utilization (%)	91.9%	95.3%	-3.4%	
<b>Production</b>				
Motor Gasoline	8,586	8,512	74	0.9%
Jet Fuel	1,487	1,570	-83	-5.3%
Distillate Fuel Oil	3,728	3,653	75	2.1%
<b>Imports</b>				
Crude Oil (incl. SPR)	9,117	9,768	-651	-6.7%
Motor Gasoline	906	777	129	16.7%
Jet Fuel	104	162	-58	-35.8%
Distillate Fuel Oil	231	311	-80	-25.7%
Total	11,514	12,289	-775	-6.3%
<b>Exports</b>				
Crude Oil	33	34	-1	-2.7%
Products	935	968	-33	-3.5%
Total	967	1,003	-36	-3.6%
<b>Products Supplied</b>				
Motor Gasoline	8,613	8,601	12	0.1%
Jet Fuel	1,537	1,676	-139	-8.3%
Distillate Fuel Oil	3,720	3,784	-64	-1.7%
Total	19,307	19,559	-252	-1.3%
<b>Stocks (Million Barrels)</b>				
	5/10/2002	5/10/2001	Diff.	% Diff.
Crude Oil (excl. SPR)	315.8	325.5	-9.7	-3.0%
Motor Gasoline	217.2	204.1	13.1	6.4%
Jet Fuel	40.5	41.2	-0.7	-1.7%
Distillate Fuel Oil	122.5	105.7	16.8	15.9%
Total (excl. SPR)	1,007.3	984.8	22.5	2.3%



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

## World Oil Market Highlights

(updated May 7, 2002)

According to second quarter 2002 estimates, the world holds about 6.8 million barrels per day of excess oil production capacity, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

<b>Major Sources of U.S. Petroleum Imports, 2001*</b> (all volumes in million barrels per day)			
	<b>Total Oil Imports</b>	<b>Crude Oil Imports</b>	<b>Petroleum Product Imports</b>
<b>Canada</b>	1.79	1.32	0.47
<b>Saudi Arabia</b>	1.66	1.61	0.05
<b>Venezuela</b>	1.54	1.28	0.26
<b>Mexico</b>	1.42	1.38	0.04
<b>Nigeria</b>	0.86	0.81	0.04
<b>Iraq</b>	0.78	0.78	0.00
<b>Norway</b>	0.33	0.27	0.06
<b>Angola</b>	0.32	0.31	0.07
<b>United Kingdom</b>	0.31	0.23	0.08
<b>Total Imports</b>	11.62	9.15	2.47

\* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.

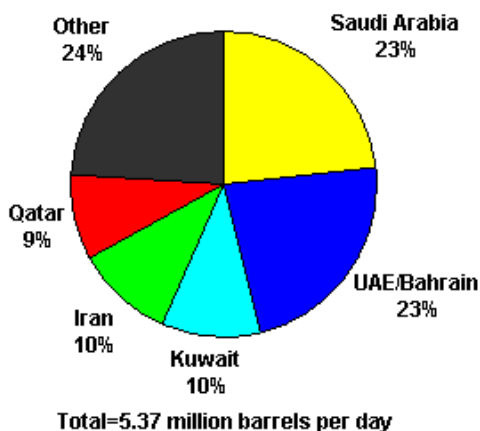
<b>Top World Oil Net Exporters, 2001*</b>		
	<b>Country</b>	<b>Net Exports (million barrels per day)</b>
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24
12)	Algeria	1.24

\*Table includes all countries with net exports exceeding 1 million barrels per day in 2001.

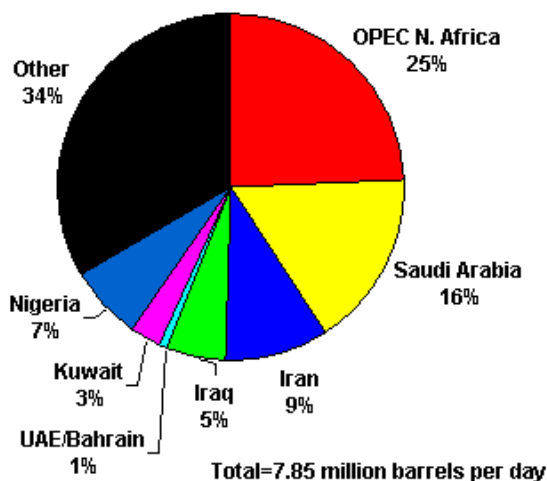
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

**Japanese Net Oil Imports by Country, 2001**



**OECD European Net Oil Imports by Country, 2001**



## **Latest U.S. Weekly Natural Gas Information**

(updated May 16, 2002)

### Industry/Market Developments

*Pipeline Addition in Florida to Become Operational:* The Gulfstream Natural Gas System, which is a pipeline project to deliver natural gas to Manatee County in central Florida from Pascagoula, Mississippi and Mobile, Alabama, appears to be on target to begin operations on June 1, 2002. Phase 1 of the project, which will deliver gas to the Tampa-St. Petersburg area, will be the first part of the pipeline to become operational. Crossing the Gulf of Mexico with 431 miles of 36-inch diameter steel pipe, the pipeline will have the capacity to transport 1.1 billion cubic feet per day of natural gas to customers in Florida. Industry sources indicate that the pipeline will begin line-packing during the last two weeks of May in anticipation of the June 1 start date. This should help to lower prices in the Sunshine State, which has been beleaguered by *force majeure* and other supply constraints as well as hot temperatures this spring. Phase 2 of the project will extend further south to Palm Beach County.

### Natural Gas Storage

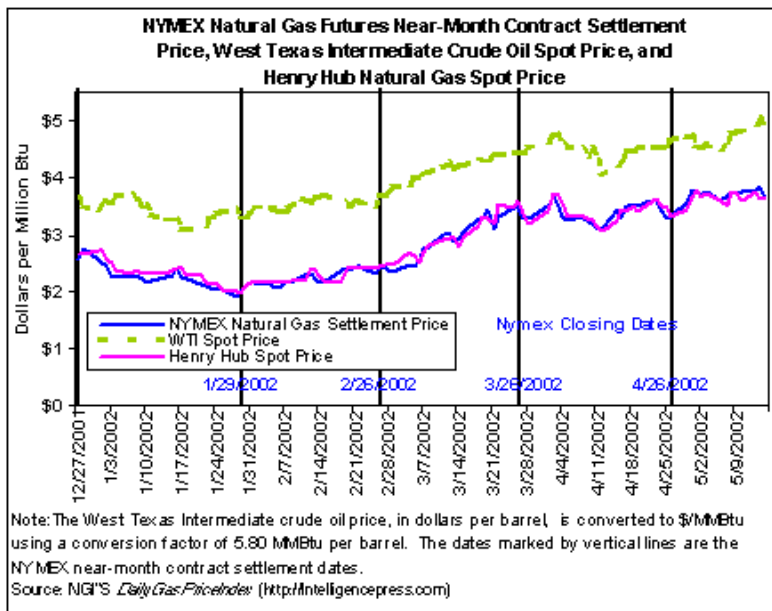
Net injections of natural gas into storage were 55 billion cubic feet (Bcf) for the week ended, May 10, 2002, according to EIA's *Weekly Gas Storage Report*. Injections were below the 5-year average of 77 Bcf for the United States as a whole, as well as the 5-year averages in all three regions in the storage report. Although there was a relatively low injection in comparison to last year and the 5-year average, inventories remain well above historical levels. At 1,657 Bcf, total storage levels remain 500 Bcf over last year and 330 Bcf over the 5-year average.

### Prices

Spot prices at most trading locations in the country retreated on Wednesday, May 15, as crude oil prices dropped and buyers were scarce, owing to the lack of weather-driven demand. The Henry Hub cash price eased 13 cents per MMBtu, or about 3%, to an average of \$3.62 per MMBtu during yesterday's trading. New York and Chicago citygate prices followed suit with similar declines of about 3%. Prices in California also declined, dropping 16 cents for an average of \$3.21 per MMBtu for the trading session. In Florida, prices remain the highest in the country owing to pipeline outages and maintenance on Florida Gas Transmission for most of the month. After averaging between \$7.46 per MMBtu and \$7.58 per MMBtu for the past week, prices retreated yesterday to about \$6.90 per MMBtu.

At the NYMEX, the price of the futures contract for June delivery dropped 5.6% yesterday to close at \$3.640 per MMBtu, erasing the gains made earlier in the week. The downturn yesterday came as crude oil prices dropped by \$1.00 per barrel on the day. As of yesterday's NYMEX close, the futures contracts for July delivery continued to trade at about a 7.5-cent-per-MMBtu premium to the near-month (June) contract. The spread between the near-month contract and the futures contract for January 2003 delivery is \$0.732 per MMBtu.





All prices in \$ per MMBtu	California Composite				NYMEX futures contract- June delivery	NYMEX futures contract- July delivery
	Average Price*	Henry Hub	New York City	Chicago		
4/18/2002	3.31	3.51	3.81	3.50	3.523	3.558
4/19/2002	3.01	3.40	3.68	3.41	3.562	3.595
4/22/2002	3.32	3.58	3.97	3.59	3.616	3.646
4/23/2002	3.31	3.63	3.97	3.64	3.615	3.645
4/24/2002	3.14	3.53	3.85	3.55	3.431	3.465
4/25/2002	3.14	3.47	3.81	3.49	3.306	3.341
4/26/2002	2.70	3.32	3.66	3.33	3.372	3.407
4/29/2002	3.14	3.44	3.79	3.48	3.561	3.589
4/30/2002	3.27	3.65	3.95	3.67	3.795	3.823
5/1/2002	3.32	3.79	4.06	3.81	3.735	3.767
5/2/2002	3.15	3.65	3.91	3.66	3.684	3.721
5/3/2002	2.91	3.71	3.92	3.69	3.745	3.787
5/6/2002	3.23	3.61	3.81	3.58	3.595	3.639
5/7/2002	3.16	3.49	3.74	3.49	3.673	3.719
5/8/2002	3.30	3.74	4.01	3.74	3.746	3.794
5/9/2002	3.39	3.72	4.05	3.74	3.719	3.768
5/10/2002	3.16	3.71	4.00	3.73	3.749	3.800
5/13/2002	3.25	3.61	3.91	3.64	3.783	3.831
5/14/2002	3.37	3.75	4.06	3.79	3.855	3.912
5/15/2002	3.21	3.62	3.92	3.63	3.640	3.715

\* Average of NGI's reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's *Daily Gas Price Index* (<http://intelligencepress.com>)

## Latest U.S. Coal Information

(updated May 16, 2002)

In a brief filed Monday, May 13, the Federal Government argued that a recent court order "casts a tremendous cloud of uncertainty over all future coal mining in Appalachia." The near-term effects in the region predicted in the Department of Justice's motion would include suspension of future coal mining projects, laying off of existing workers, and suspension of plans for hiring new ones. Reaction has been swift since May 8, when the U.S. Army Corps of Engineers was ordered to cease issuing permits that allow filling of valleys and burial of streambeds adjoining mountaintop removal coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the controversial 44-page ruling in Charleston, West Virginia, in a suit brought by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District.

The disputed practice, known as "valley fill," has been allowed for almost 20 years and mining companies consider it an important component of economical coal recovery at the mammoth mountaintop operations. Haden wrote that the Corps' "rule change was designed simply for the benefit of the mining industry and its employees" and that the "practice is illegal because it is contrary to the spirit and the letter of the Clean Water Act." This ruling came just as the government was taking steps to remove regulatory impediments to mountaintop mining, including plans to shift all permitting to individual States. On May 9, the Corps published a final rule in the Federal Register that allows mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act.



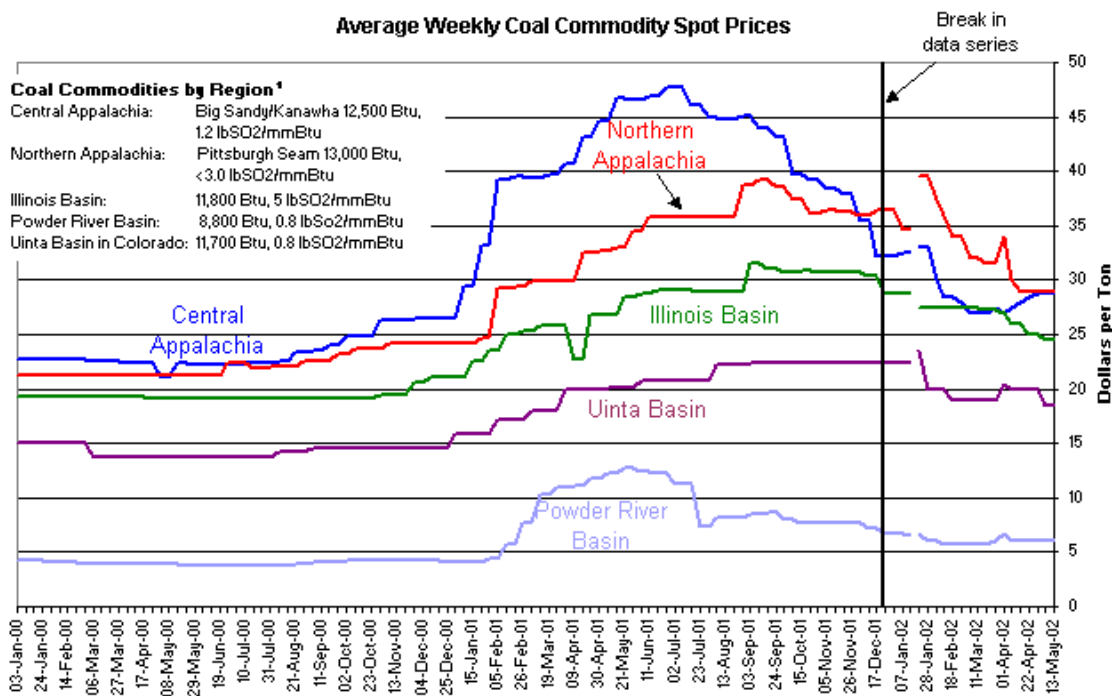
The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region. In its May 13 motion, pending appeal, the Justice Department contends that the ruling is broad and, if fully implemented, would stop all new surface coal mining (not just mountaintop removal) in steep terrain, because some valley filling is necessary even in less expansive operations. It also contemplates possible impacts on underground mining in steep terrain, which generally requires preparation plants, with waste impoundments in valleys, and uses valley fill for mine roads. Further, the motion questions whether the ruling might be applied to other mining besides coal.

In a separate issue affecting mostly Appalachian coal mining, on April 24 the National Mining Association filed a motion to stay a March 28 ruling restricting land subsidence associated with underground coal mining. On April 25, Secretary of the Interior and co-defendant Gale Norton filed for a stay of the same decision. The ruling by U.S. District Judge James Robertson of the federal district court in Washington, DC, would restrict underground coal mining beneath national parks, inhabited residences, and other protected areas. The court sided with the Citizens Coal Council, an environmental advocacy group, which challenged how the Department of the Interior permits underground coal mining—especially "longwall" mining — that may cause ground subsidence in protected areas. The ruling would negate long-standing permit practices that have regularly been challenged almost since the inception of the Surface Mining Control and Reclamation Act of 1977.

For the week ending May 11, EIA estimates U.S. coal production at 20.3 million short tons (mst). This was 8.1% lower than in the comparable week in 2001. Year-to-date as of May 11, rail car loadings of coal and national coal production have fallen by 4.7% and 5.4%, respectively, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.5% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 9.7% below last year's level. The estimated production for the first four months of 2002 was 356.2 mst. Lower production at this time correlates with higher-than-usual coal stockpiles at consuming facilities and with a long spring period of low seasonal demand at electric power plants, as well as slowed economic activity.

U.S. coal prices in recent months have either fallen or held relatively steady. Allowing for changes in the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals continue the level-to-slowly-declining price profiles established under the 2001 spot data. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen significantly (by about \$19.00 and \$10.00 per short ton, respectively). The latest indexed spot prices, \$28.75 per short ton for Central Appalachian and \$29.00 per short ton for Northern Appalachian coal, are respectively 29% and 36% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by about 35% for the Uinta Basin, 30% for the Illinois Basin, and 60% for the Powder River Basin.

In the latest week, near-quarter over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages (graphic below). Although [NYMEX](#) trade volumes are erratic, trading on Tuesday, May 14, reached a new high as 264 trades were settled. Prices for NYMEX trades for calendar year 2003 rose to \$28.95 per short ton, from \$28.50 per short ton, and some OTC trades for Appalachian bituminous broke above \$29 per short ton for calendar year 2003. On average, however, settled prices since early February 2002 have been relatively level, in the \$25 to \$28 per short ton range with generally low daily volumes.



**Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"**

<sup>1</sup>Prior to January 14, 2002 EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, the values shown are based on a single specification in each region for delivery by the end of the next quarter.

In the long term, EIA expects domestic coal supplies to be adequate for projected consumption. Most coal is still sold under multi-year contracts, and average prices for all coal supply contracts, incorporating spot and long-term, are projected to stabilize at well below current spot prices. EIA's projections of average coal prices decline slightly in inflation-adjusted dollars because nominal prices rise more slowly than the rate of inflation between 2000 and 2020.

## Latest U.S. Electricity Information

(updated May 16, 2002)

**Selected Wholesale Electricity Prices:** Western U.S. wholesale electricity prices have generally been increasing over the past seven days (excluding weekend transactions). Prices at the California-Oregon Border (COB) have ranged between a high of \$32.50 per megawatthour on May 15 and a low of \$25.91 per megawatthour on May 8. Prices at the Palo Verde trading center have ranged between a high of \$35.67 per megawatthour on May 15 and a low of \$27.48 per megawatthour on May 10.

Prices in the Northeast have been mixed over the past seven days. Prices at the New York ISO ranged from a high of \$43.16 per megawatthour on May 7 to a low of \$33.93 per megawatthour on May 13. ISO New England prices ranged from a high of \$40.99 per megawatthour on May 13 to a low \$32.30 per megawatthour on May 8.

The average price at all trading centers has been trending upwards ranging between a high of \$32.47 per megawatthour on May 15 and a low of \$28.15 per megawatthour on May 10.

### U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

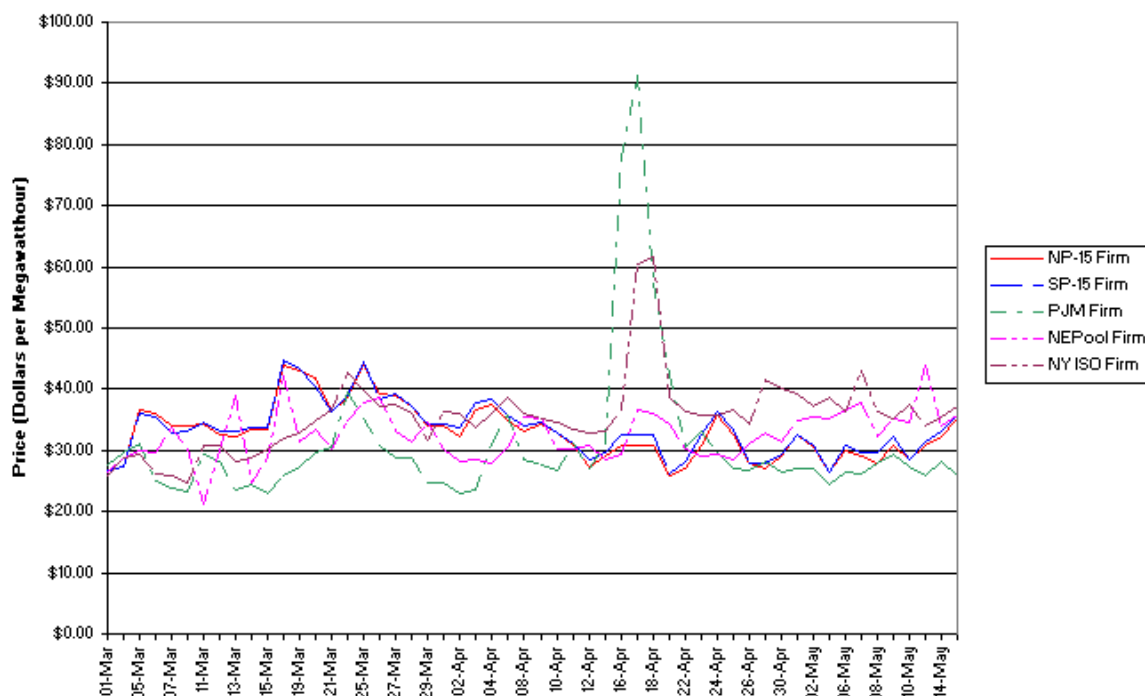
Trading Centers	Date							Price Range		
	5/7/02	5/8/02	5/9/02	5/10/02	5/13/02	5/14/02	5/15/02	Max	Min	Average
COB	26.13	25.91	28.40	26.42	27.81	29.86	32.50	32.50	25.91	27.68
Palo Verde	28.63	27.72	30.63	27.48	30.35	32.43	35.67	35.67	27.48	29.72
Mid-Columbia	24.39	23.79	26.80	24.37	25.45	26.92	30.89	30.89	23.79	25.47
Mead/Marketplace	29.13	28.18	31.33	27.82	30.68	33.38	35.10	35.10	27.82	30.28
4 Corners	28.50	27.00	30.25	25.00	30.00	31.81	34.29	34.29	25.00	28.81
NP 15	28.97	28.05	30.72	28.42	30.93	32.28	35.23	35.23	28.05	30.08
SP 15	29.56	29.53	32.19	28.56	31.44	33.07	35.82	35.82	28.56	30.96
PJM West	26.28	27.93	29.33	27.27	26.00	28.18	26.00	29.33	26.00	27.74
ISO New England	37.88	32.30	35.30	34.62	40.99	34.09	35.65	40.99	32.30	35.47
New York ISO	43.16	36.20	35.26	37.52	33.93	35.39	37.09	43.16	33.93	35.65
Cinergy	23.73	28.23	28.92	22.23	18.81	17.60	18.96	28.92	17.60	23.16
Average Price	29.67	28.62	30.83	28.15	29.67	30.46	32.47	32.47	28.15	29.55

**Source:** COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, and Cinergy trading centers, Used with Permission from Bloomberg L.P. ([www.bloomberg.com](http://www.bloomberg.com)), ISO New England (<http://www.iso-ne.com>), and New York ISO

**Notes:**

n.q. - No quotes available for the day.

**COB:** Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.  
**Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.  
**Mid-Columbia:** Average price of electricity traded at Mid-Columbia.  
**Mead/Market** Average price of electricity traded at Mead Market Place, McCullough and Eldorado.  
**Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.  
**NP-15:** Average price of electricity traded at NP-15.  
**SP-15:** Average price of electricity traded at SP-15.  
**PJM-West:** Average price of electricity traded at PJM Western hub.  
**Nepool:** Average price of electricity traded at the New England ISO, formerly Nepool.  
**New York ISO:** Average price of electricity traded at the New York ISO.  
**Cinergy:** Average price of electricity traded into the Cinergy control area.

**Average Wholesale Electricity Prices in the U.S.**

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Contact:

Lowell Feld and Tara Billingsley

[lowell.feld@eia.doe.gov](mailto:lowell.feld@eia.doe.gov)

[tara.billingsley@eia.doe.gov](mailto:tara.billingsley@eia.doe.gov)

Phone: Lowell Feld: (202) 586-9502; Tara Billingsley: (202) 586-0172

Fax: (202) 586-9753

URL: <http://www.eia.doe.gov/emeu/security/esar/esar.html>

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